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Central Intelligence Agency



Washington, D. C. 20505

## DIRECTORATE OF INTELLIGENCE

November 1983

## CENTRAL AMERICAN MONTHLY REPORT #4 [REDACTED]

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Summary

*Sandinista concern over a possible invasion has reached a near panic level in the aftermath of US actions in Grenada. As a result, the Sandinistas reportedly have ordered the Salvadoran insurgents to leave Nicaragua and set up their headquarters elsewhere. In El Salvador, continued Army setbacks have prompted General Vides to make sweeping changes in the military command structure, including strengthening the general staff and appointing more competent field commanders. In Guatemala, rightist violence has caused new problems in Mejia's relations with the US and the Catholic Church. The Suazo government continues to strengthen its hand in Honduras. Costa Rica has issued a new proclamation of neutrality to improve its international image. In Panama, General Noriega has removed the leftist Vice President because of recent critical foreign policy statements. Meanwhile, the Contadora negotiations are making little progress, but another meeting is scheduled for early 1984 to discuss draft treaties.* [REDACTED]

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*This memorandum was prepared by the Central America Branch, ALA. It was coordinated with the Directorate of Operations. It contains information available as of 9 December 1983. Questions and comments are welcome and should be addressed to Chief, Middle America-Caribbean Division, OALA.* [REDACTED]

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## NICARAGUA

### Military

Fighting tapered off somewhat in late November amidst indications that the FDN is positioning to begin a major offensive in Nueva Segovia Department. [redacted] the Sandinistas believe the FDN plans to seize and hold territory, and government forces are being repositioned in the area. In the east, the Sandinistas are continuing to strengthen defenses around the main coastal towns, while supply problems are becoming chronic for their troops in the field. Eden Pastora's guerrillas proclaimed the start of a major offensive in southern Nicaragua in mid-November but did little damage. The only evidence of the offensive we have seen so far was their attack on the border town of Cardenas. [redacted]

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[redacted] indicate the FDN has some 6,800 troops, of which 5,900 are armed and inside Nicaragua. The Misura claim to have 1,750 armed fighters in the country. These strength figures—[redacted] obtained from field commanders—are somewhat lower than earlier claims and apparently reflect previous exaggerations by the general staffs of the two movements. Combined with Eden Pastora's claims of some 2,800 guerrillas in southern Nicaragua, total insurgent strength is some 11,000 to 12,000. [redacted]

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Nicaragua is continuing to strengthen its air defenses with substantial Cuban assistance. [redacted]

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[redacted] where observers have identified Soviet-built early warning and height-finder radars. [redacted] radar signals indicate the equipment will soon be operational, and the facility probably will provide warning information to antiaircraft artillery sites in western Nicaragua. It also forms the nucleus of a capability to provide ground-controlled intercept information—essential to the operations of MIGs or other jet fighters. [redacted]

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At month's end the Sandinistas were making preparations for an arms delivery at El Bluff, where major shipments previously have occurred. The delivery ship, a Bulgarian freighter, left the Black Sea at mid-month and transited the Atlantic in radio silence. It apparently is carrying vehicles and construction equipment in addition to arms. Bulgarian ships have made two similar deliveries, the first in December 1982 and the second in May 1983. [redacted]

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### Political

In the aftermath of the events in Grenada, Nicaraguan fears over a possible US-supported invasion increased dramatically. The Sandinistas responded by adopting new defensive measures, including stepped-up militia training, which further militarized society. They also undertook a number of political and diplomatic initiatives to suggest their flexibility in regional negotiations and their willingness to negotiate with the US. [redacted]

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[redacted]

At the beginning of the month, Sandinista policies toward internal opposition groups hardened. Harassment of the Catholic Church for its opposition to the military conscription law provoked the most intense church-state dispute since the violent clashes of August last year. Draft registration figures announced by the government were only about half what the Sandinistas had predicted, thus indicating the unpopularity of the law and possibly contributing to the confrontation with the Church. [redacted]

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By mid-month, however, the Sandinistas were taking a different tack. They announced relaxation of press censorship, offered to issue landowners guarantees against expropriation, and initiated talks with opposition political leaders. The government also freed some 300 Miskito prisoners and proclaimed an amnesty for all insurgent rank and file. Finally, the Sandinistas announced that the electoral process would begin in January 1984 and elections would be held in 1985. [redacted]

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Unidentified Sandinista officials recently told the press that 1,200 Cuban teachers and technicians recently left Nicaragua and that 1,000 military advisers would leave soon. [redacted] indicate that some Cuban civilian advisers have been sent home—probably for their safety—but the Sandinistas apparently are taking advantage of the annual rotation of 2,000 teachers to suggest a much larger reduction in the Cuban presence. We doubt that any military personnel have left, and [redacted] suggests that the Cuban military role is increasing. [redacted] for [redacted]

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Concurrently, the Sandinistas are ostensibly distancing themselves from regional revolutionaries. Some leading Salvadoran leftist political leaders left Managua in mid-November, and [redacted] the Sandinistas are also requiring the insurgents to leave or be integrated into the Nicaraguan Army. We have seen no evidence yet that the Sandinistas have closed the Salvadoran command and control center in Managua or that they have ceased arms shipments to the insurgents, but [redacted] the guerrillas are preparing for a significant reduction in future Sandinista support, including arms and ammunition. [redacted]

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### Economic

[redacted] Libya has boosted its aid to Managua recently, including a \$40 million cash grant in October and a possible \$50 million line of credit. If true, this would be the most substantial disbursement of Libyan aid to the Sandinistas since Qadhafi extended a \$100 million loan in 1981. [redacted] that Nicaragua is continuing to have difficulties repaying Mexican loans. [redacted]

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The Sandinistas are making progress in their negotiations with foreign commercial lenders, and the terms may fall only a little short of the one-year moratorium they had sought. [redacted] the banks' negotiating committee recently agreed to recommend that Nicaragua pay \$17.5 million of the interest payments it owes by June 1984 and defer rescheduling the remaining \$112.5 million until later. [redacted]

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[redacted]

The Sandinistas have been successful in lining up tanker transport for their oil imports, thus far without employing ships from Communist countries. They apparently have enough deliveries scheduled to meet their needs for the rest of the year. [redacted] investigating reactivation of a mothballed oil offloading and storage facility at Masachapa to reduce the vulnerability of their oil stocks to insurgent disruptions, and they have begun construction of a road and railroad causeway at Corinto to replace one that washed out in 1982. [redacted]

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## EL SALVADOR

### Military

The guerrillas were able to maintain the pace of their military attacks in eastern and central El Salvador throughout November. On three separate occasions, insurgent units routed newly-trained government battalions, two of which recently had received training from US personnel. [redacted] the insurgents believe Salvadoran units trained at the Regional Military Training Center in Honduras are ineffective in combat and pose no serious threat to the insurgents. [redacted]

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Representatives from the two largest guerrilla factions—the People's Revolutionary Army and the Popular Liberation Forces—met in late October to plan further coordinated military operations. [redacted] The Popular Liberation Forces reportedly agreed to launch attacks in Chalatenango Department after other groups mounted diversionary operations in Morazan and Usulután. More recently, the guerrillas reportedly were preparing to launch a nationwide offensive in mid-December. Their plans might be set back, however, by the prospective loss of Nicaraguan logistical support. [redacted]

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In an effort to bolster the government's sagging war effort, Defense Minister Vides announced sweeping changes in the Salvadoran high command. Colonel Adolfo Blandon was appointed Chief of Staff, Lieutenant Colonel Miguel Mendez was named head of operations, and Lieutenant Colonel Domingo Monterrosa received command of the 3rd Brigade. At least nine other major field commands—including three of the four US-trained immediate-reaction battalions—received new commanders. In addition, the Army's six military zones were realigned, placing the easternmost departments of San Miguel, Morazan, and La Unión under command of the 3rd Brigade. [redacted]

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Blandon and Mendez are competent and respected commanders, and their appointments almost certainly presage a substantial increase in the command and control authority of the general staff. Monterrosa is considered the Army's most effective combat commander, and the reorganization of the eastern departments—where fighting has been most intense over the past few months—underscores the government's concern about recent guerrilla successes there. [redacted]

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Government forces remain largely on the defensive, although local offensives were conducted in western Cabanas and northern San Vicente. Vides canceled all military leaves in mid-November due to the military situation in the east. [ ]

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[ ] the Army commander in Morazan believes the security situation in his command has deteriorated steadily over the past two months and that the guerrillas could attack the departmental capital of San Francisco Gotera at any time. [ ]

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### Political

The selective use of violence by far right terrorist groups continued through November and likely will be a significant factor during the upcoming presidential campaign. Extreme rightists are frustrated by their failure to reverse reforms, concerned with recent gains by the guerrillas on the battlefield, and fearful that moderate government leaders may seek reconciliation with the insurgent left. [ ]

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[ ] Defense Minister Vides is considering ways to investigate and neutralize death squad activity. Nevertheless, efforts to curb rightwing terrorism will continue to be hampered by the organizational independence of death squads and vigilante groups, as well as by the weak resolve of many government and military authorities. [ ]

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The election process appears to be on track with the Assembly's recent passage of a temporary electoral decree. The presidential election will be held on 25 March 1984, and the new President will be inaugurated on 1 June for a five-year term. Military personnel who request retirement will be eligible to run for public office, but thus far no active military officers have shown interest in contesting the election. Although a formal voter registration effort began this month, we believe it is unlikely to be ready for use in the presidential balloting. Nevertheless, many politicians are requesting that municipal elections be held on 25 March, which would require a comprehensive registry. We believe such a registry could be counterproductive—at least in the March election—because it would force hundreds of thousands to return to home districts, many of which are in guerrilla-controlled territory. This would probably reduce voter participation substantially. [ ]

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## GUATEMALA

### Political

Chief of State Mejia retains the backing of most senior commanders, but growing political violence is increasing opposition from political party leaders and Catholic Church officials. [ ] Mejia's personnel changes in the armed forces have been widely supported, primarily because they have helped restore the normal chain of command. Most in the military also appear to approve of Mejia's commitment to holding constituent assembly elections next July and to returning the country to civilian rule in 1985. [ ]

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[redacted] Mejia underscored his desire for legitimate elections by rejecting his senior commanders' suggestion that he remain as Minister of Defense under any new civilian government. [redacted]

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[redacted] Nevertheless, Mejia's failure to obtain such assistance, as well as the recent cut in US economic aid to Guatemala, may cause some officers to question their continuing support for him. [redacted]

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A more serious threat to Mejia's initiatives and survival is the rise in insurgent terrorism and abuses by security forces and ultrarightist extremists. Mejia may decide to move up the official convocation of the electoral campaign to this month, but already at least six party organizers from new leftist political groups apparently have been kidnapped. Such intimidation of moderate and leftist parties is likely to increase as elections approach and, if some groups decide not to participate, the field may be restricted to mostly rightwing parties. This might prompt military intervention by reformist officers opposed to a victory by the far right. [redacted]

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The Catholic Church stepped up its denunciations of the violence following the murder of a priest after Mejia publicly accused some in the clergy of supporting the insurgents. Although responsibility for the murder has not been established, Church officials and the media are blaming the government. In addition, neither the press nor the diplomatic corps accepts the government's claim that the deaths of three of the Guatemalan employees of the US Agency for International Development kidnapped in October were due to an automobile crash. [redacted]

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### Military

The insurgents are increasing urban terrorism and rural attacks, and recently scored a notable success by killing one of the Army's top field commanders in an ambush. The military believes the guerrillas are planning an offensive for January, which could stall progress toward elections while generating an atmosphere of uncontrolled violence. Nevertheless, the government forces still retain the tactical advantage, and have returned to a high level of patrolling in major areas of conflict. [redacted]

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[redacted] the Army is recruiting and outfitting 11 new infantry battalions to deploy to the contested areas to pressure the guerrillas' remaining strongholds. [redacted]

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## HONDURAS

### Political

Infighting in both major political parties continues and apparently is strengthening President Suazo's hand. The ruling Liberal Party is purging supporters of dissident former minister Jose Azcona del Hoyo in an attempt to weaken his chances for a 1985

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[redacted]

presidential bid. In the opposition National Party, longtime leader Ricardo Zuniga was ousted from power by the installation of a factious anti-Zuniga party bloc. Apparently Liberals and anti-Zuniga Nationalists in the Congress have concluded an informal pact to support the Suazo Government as part of their efforts to weaken both Azcona's and Zuniga's influence. [redacted]

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[redacted]

The party's association with the Salvadorans may indicate an increased effort by the Salvadoran guerrillas to encourage outside groups to foment violence on their behalf. To date, however, the Communists have been generally unable to carry out major disruptive actions largely due to their own disunity and extensive government surveillance. [redacted]

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### Economic

Assisted by the informal Congressional pact between the two major parties, the Suazo government achieved swift approval for the 1984 central government budget in late October. Although its overall level is \$76 million less than in 1983, the budget slates an almost 20-percent increase in funds for public debt servicing. Moreover, continued heavy payments on publicly guaranteed private debt probably will push Honduras out of compliance with its IMF standby agreement, thus jeopardizing disbursement of the last 1983 tranche of \$16 million. [redacted]

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Responding to recent private sector pressures, the Suazo government rammed an economic emergency decree through the Congress in late November. The measure gives the executive broad powers to enact new—but as yet unspecified—solutions to current economic problems. Moreover, the US Embassy reports that a restructuring of the President's economic cabinet appears imminent as an additional gesture to the private sector. [redacted]

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### Military

[redacted] than it was a year ago. Senior Honduran officers are concerned about this and recently deployed three companies of troops to augment the two already there. This development is not likely to have much impact on the arms flow across the border, however, nor will it curb the occasional movements of Salvadoran insurgents across the border to take temporary refuge in Honduras. [redacted]

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**COSTA RICA****Political**

The resignation of Foreign Minister Volio—the government's leading anti-Sandinista hardliner—has raised fears in San Jose and in the region that left-of-center elements in the government are gaining influence. For some critics, this view was reinforced by President Monge's formal proclamation of Costa Rican neutrality at mid-month. Nevertheless, Monge sought to appease hardliners by the insertion of language reaffirming San Jose's commitments to regional security arrangements. The government's recent indecision about whether to proceed with a development project near the Nicaraguan border region involving up to 1,000 US Army engineers is a further sign of the more neutral direction of the country's foreign policy. [REDACTED]

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Despite the restoration of normal diplomatic ties in early November, relations between San Jose and Managua worsened at mid-month following another border skirmish between Sandinista troops and Costa Rican-based insurgent forces. In addition, the increasing flow of Nicaraguan refugees into Costa Rica has heightened government concern over the refugee camp population, which now numbers some 2,000 and is increasing by 150 per week. [REDACTED]

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**Economic**

San Jose narrowly averted a cutoff of IMF funds this past month by unifying and adjusting its two-tiered exchange rate, as required by last year's standby agreement, in time to comply with the IMF's December 1983 performance targets. Negotiations to conclude a new standby agreement for 1984, however, have stalled over next year's proposed \$3-billion budget and IMF concern about some reforms that have not yet been enacted. It now appears that a new accord, originally scheduled to be concluded this month, may be several more weeks in coming. [REDACTED]

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**PANAMA**

The temporary replacement of Vice President Illueca apparently was prompted by his criticism of Panama's involvement in the Central American Defense Council, according to the US Embassy. Defense Forces Commander Noriega had openly supported the Council's revival and reportedly was angered by Illueca's speech to the National Assembly in November disavowing Panama's participation in the regional military organization. Minister of Government and Justice Ozores has been appointed Acting Vice President, ostensibly until Illueca's term as President of the UN General Assembly expires next September. [REDACTED]

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Although the government tolerated earlier indiscretions by Illueca as a concession to the left and as a means of promoting its Third World credentials, Noriega probably believes the removal of the leftist-leaning Vice President will help assure a more unified

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approach in foreign policy matters. Moreover, Illueca's tendency to make foreign policy statements independent of official policy lines is likely to prevent his return to the vice-presidency. It is unclear to us whether Illueca's chastisement by the Panamanian leadership will cause him to take a more favorable posture towards Washington in the UN, where he may still exert influence independently in the General Assembly. [REDACTED]

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### Economic

The potentially explosive labor situation created by striking banana workers was averted when they returned to work after reaching settlement with the US-owned company. In addition, the labor union's Communist legal adviser—considered a source of disruption during the negotiations—probably will leave his post as a result of the new contract. Although some problems still confront the banana industry in Panama, the US Embassy believes the current agreement will pave the way for smoother relations in the future. [REDACTED]

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### **REGIONAL PEACE NEGOTIATIONS**

The Contadora and Central American Foreign Ministers met informally at the OAS General Assembly in mid-November. According to Panamanian Foreign Minister Ortega, the sponsoring nations accepted arguments that the Central Americans should be negotiating the language of peace treaties. A new meeting is scheduled for January, 1984 in Panama to discuss new treaty drafts. [REDACTED]

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Nicaragua continued to show indications of flexibility, but its active diplomacy probably reflects its fear that the Contadora deck is stacked against it. Junta coordinator Daniel Ortega toured all the Contadora capitals at mid-month to present "evidence" of an imminent invasion by the US. A second purpose of the trip was to attempt to convince the Contadora countries to delay work on comprehensive treaty drafts and to persuade them to respond to Nicaragua's October peace proposals, which include bilateral treaties with the US and Honduras as well as a broad Central American security treaty. [REDACTED]

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The Sandinistas probably damaged their standing with three of the Contadora countries through their pursuit of a one-sided resolution during debate on Central America at the UN General Assembly. Only Mexico firmly supported Nicaragua—despite a few attempts to moderate the resolution—and as a result was later publicly accused of bias by Honduras. The text of the resolution, which was finally approved by consensus, contains some minor victories for the Nicaraguans. Nevertheless, it was a far cry from what the Sandinistas sought and probably hoped they could get, and was widely regarded at the UN as a setback for Nicaragua. [REDACTED]

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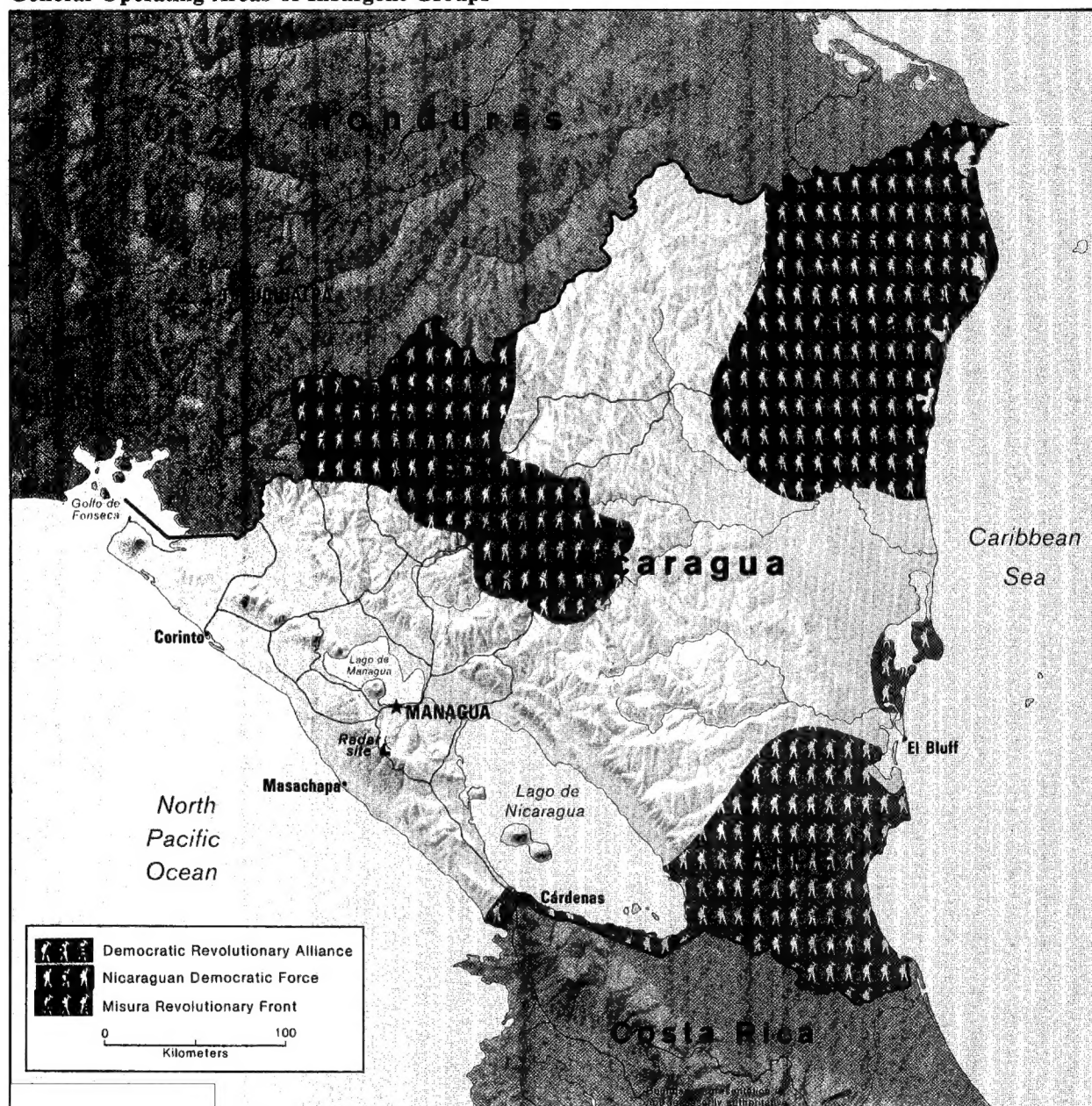
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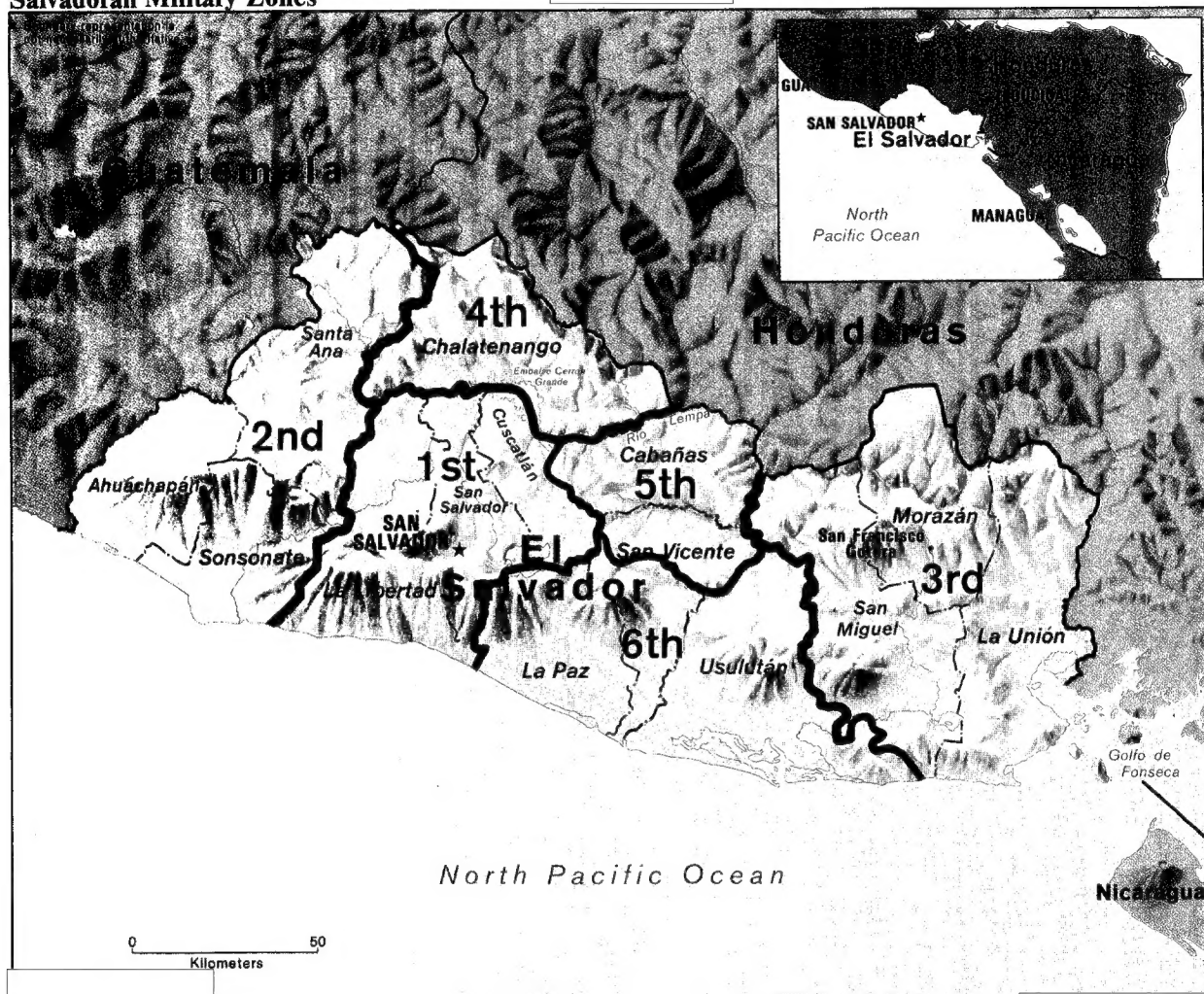
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Salvadoran Military Zones



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